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## ABSTRACT

This publication contains testimony, given by personnel at the Center for the Study of Educational Finance, initially intended for legislators at the federal and state levels to help them deal with public policy matters in K-12 finance. The first document is testimony given before the United States Senate Committee on Labor and Human Resources, the subcommittee on Education, Arts, and Humanities, in July 1993. The Subcommittee was holding hearings on problems and issues in public school finance as background for reauthorization of the Elementary and Secondary Education Act of 1965 as amended, and on other pending K-12 legislation. The second document is testimony given to the Revenue Committee of the Illinois State Senate in September 1993. The committee was holding hearings on the tax structure of Illinois and its relationship to education funding. The third document was prepared for State Senator Alice Palmer of Chicago, and was a continuation of the State Revenue hearings. The fourth document is a letter to Progress Illinois concerning the state's progressive income tax. Documents 5 through 7 are communications from Dr. Robert Arnold to selected legislators, including the president of the Illinois State Senate and Representative Penny Wessels. The appendix provides information on the status of school finance constitutional litigation as of November 1993. (LMI)

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# CENTER FOR THE STUDY OF EDUCATIONAL FINANCE

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## COMMON SENSE: PLAIN TALK TO LEGISLATORS ABOUT SCHOOL FINANCE

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TO LEGISLATORS ABOUT SCHOOL FINANCE**

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**November 1993**

This collection of public policy papers is dedicated to three former members of the Illinois House of Representatives: the late Charles Claybaugh, Gene Hoffman and Helen Satterthwaite. These three, very different people, from different political parties had something in common. When need arose, they went beyond party membership and even beyond constituency concerns to do what was right for children in Illinois. Some call that statesmanship. Some are right.

GAH  
Winter, 1993

*Give to every other human being every right that you  
claim for yourself--that is my doctrine.*

*-- Thomas Paine, 1797*

## INTRODUCTION

Personnel at the Center for the Study of Educational Finance are often asked for information and/or opinions concerning public policy matters in K-12 finance. Many times, these are short-to-intermediate telephone conversations and short letters. Such short communications are probably impossible to recapture. However, occasionally, longer, more formal communications ensue which can be recaptured and brought to the attention of a larger audience. Such is the case in this collection of testimony intended initially for legislators at the federal and state levels.

The first document is testimony given before the United States Senate Committee on Labor and Human Resources, the Subcommittee on Education, Arts, and Humanities, in late July of 1993. The Subcommittee was holding hearings on problems and issues in public school finance as background for re-authorization of the Elementary and Secondary Education Act of 1965 as amended, and on other pending federal K-12 legislation. The second document is testimony given to the Revenue Committee of the Illinois State Senate in late September of 1993. The Revenue Committee was holding hearings on the tax structure of Illinois and its relationship to the funding of education. The third manuscript was prepared for State Senator Alice Palmer of Chicago, and was an outgrowth of the State Revenue hearings. The fourth manuscript is a letter to Progress Illinois concerning the progressive income tax in Illinois. Manuscripts five, six and seven are communications from Dr. Robert Arnold to selected legislators, including the President of the Illinois State Senate and Representative Penny Wessels.

While communications addressed to other educators, largely through refereed journals, are important in moving forward a body of scholarly knowledge--and the Center does contribute to that operation from time-to-time, as well--there are serious limitations to that type of academic writing. Decision-makers, especially busy legislators, do not read scholarly journals; hence, if one wants to affect their decisions in any manner whatsoever, it is necessary to communicate directly with them in terms that they can understand. To do anything else is to remain "academic" in the very worse sense of that term. However, the public policy problems that the legislators must struggle with are the same public policy problems that the academics often try to address. This monograph may be useful in classes in K-12 finance as well as on the floor of a legislative chamber. At least, we hope that that will be the case.

Normal, IL  
November, 1993

G. Alan Hickrod  
Robert Arnold  
Ramesh Chaudhari  
Larry McNeal  
Gwen Pruyne

TESTIMONY TO THE SUBCOMMITTEE ON EDUCATION, ARTS AND  
HUMANITIES OF THE COMMITTEE ON LABOR AND HUMAN RESOURCES,  
U. S. SENATE

(Revised and Extended, July, 1993)

G. Alan Hickrod

My name is G. Alan Karnes Wallis Hickrod, and I have the honor of being the Distinguished Professor of Educational Administration and Foundations at Illinois State University. I am also Director of the Center for the Study of Educational Finance at ISU and I am a past president of the American Education Finance Association. I deeply appreciate the opportunity to be heard on an issue I have studied for some time.

The Subcommittee meets this afternoon to review a public policy problem that has been widely known for quite some time. The first study of disparities in goods and services provided between school districts, that I know of, was done in Massachusetts not long after the Civil War. In the early 1920s, many studies of differences between expenditure levels of school levels appeared, the earliest in Illinois being in 1922. It is no surprise that there are very large differences in expenditures levels between school districts within a state, often extending to a two-to-one ratio; that is, the more affluent districts spend twice as much as the less affluent districts. These ratios of nearly two-to-one are present even after some rather deviant high-spending and low-spending districts are eliminated from the population of districts in a state. While educational professionals have known about these differences for a long time, I think that the public in general was not aware of them until the recent best selling book, Savage Inequalities by Jonathan Kozol, made them cognizant of the differences.

A new factor, an ominous factor, in this situation is the fact that in many states these disparities in spending levels are growing rapidly with the passage of time. Our studies in Illinois indicate that for the last fifteen years there has been a constant and relentless growth in inequalities in spending levels among school districts. Very wide disparities have also been noted in Massachusetts, Pennsylvania, New York, Ohio, Missouri, and Texas. A common development can be ascertained in these seven states. In these states, there is often a ring or rings of commercial, industrial and residential development around the major central cities. This laudable economic development results in booms in property valuations. For example, outside Chicago, in Barrington, Illinois, property valuations have doubled in a short, five-year span of time. Sometimes, this is caused by the location of high-tech industries in these suburban belts and sometimes by residential property speculation, but the result is the same. The property valuations rise very rapidly. Elsewhere in these states, particularly in rural areas, there are school districts whose property valuations are either not increasing nearly as fast, or are in absolute decline. In the mid-west the plight of small towns is especially bad as they continue to lose businesses, banking facilities, medical facilities, and many other essential services. This unequal regional and largely intrastate economic development causes many problems, not the least of which are in school finance.

In the United States, we continue to rely upon the local property tax to support K-12 educational services. Consequently, as these property valuations become more unequal, the level of support for education will also become more unequal. A solution to the problem immediately suggests itself, which is so obvious that it would not require a Senate hearing. Why not move the support of education away from the local property tax and over to a state-wide tax, either the state sales tax or the state income tax, or some combination of state revenues, if the state has such taxes? Some states have done exactly this. In fact, there is a very large range in state support for K-12 education. For example, New Hampshire provides only roughly seven

percent of its K-12 educational funds from state sources, while Alabama provides nearly 70 percent of its funds for K-12 education from state sources. Many states seem to be moving toward a situation in which 60 percent of the K-12 funds will come from state sources and 40 percent will come from local sources, excluding federal funds. However, many other states seem unable to move at all in this regard. The explanation of that "gridlock"—or, as some observers have said, "greedlock"—lies in a combination of demography and state politics.

Within the last couple of decades, more and more of the American population has moved to the suburbs of central cities. Over time—sometimes very slowly—political power has followed the population. The result has been that, in modern state legislatures, the state senators and representatives from suburban areas have assumed more control over events in these legislative bodies. This seems especially obvious in state senates. So, for the last couple of decades, I have had to look squarely in the eyes of state senators and state representatives from the more affluent suburbs and tell them that the educational equity problems in their state require them to take tax funds from their constituencies and send those funds across the state to other constituencies which are not so prosperous. It is a very disconcerting experience. They look at you as if you are certainly one who has recently flown over the coo-coo's nest, or maybe dropped in from the planet Mongo with Flash Gordon. (The last reference will surely date me, if my appearance does not.) They cannot stand for re-election to their state legislatures on any such platform. The fact that a few are willing to do so, probably is more eloquent testimony to the worth of public education in a democracy than any I could give here today. The fact is the suburbs, while they have some educational problems, are largely content with their adequately financed educational systems. The problems lie in the central cities and in the more rural areas of the state. The suburban members of the legislature do not want to assist in what they regard as "someone else's problems."

Is there anyway out of "gridlock" or "greedlock," if you prefer? Yes, occasionally a strong Governor will propose a reform program and carry it through his legislative body. Unfortunately, one may have to wait a long time for that to happen. In my judgment, the last Governor in Illinois who could honestly be called an "education Governor" was Richard Ogilvie, a Republican, and that was a great many years ago. The state legislatures will also respond to pressure from their state supreme courts. In twelve states in the union, systems of funding which depend strongly on the local property taxes have been found to be unconstitutional, and the states have responded by moving away from the local property tax as a means of supporting education. My Center at ISU tracks these constitutional cases with some support from the American Education Finance Association; a full listing of the status of these cases is attached as an Appendix to this monograph.

Litigation is a very slow and laborious process. It is not at all unusual for these constitutional cases to last for ten or fifteen years, occasionally even longer. However, long-term gains can be made in these cases. In ten states, the right to an adequate education has been declared to be a fundamental right under the state's constitution. Much depends upon the interpretation of the education article in the state constitution. Unlike the federal constitution, every state except one has an education article in its constitution. Much of the recent activity in the state courts centers on spelling out just exactly what those education articles require the state government to do relative to educational funding. It may be possible to strengthen the existing education article in a state's constitution by replacing the old article with an article which contains stronger language which establishes education as a fundamental right. That was attempted in Illinois and failed only by 3% of the vote. Illinois requires 60% to amend its constitution and the attempt to amend received 57%, which, by the way, was a larger vote than that received by either President Clinton or Senator Carol Moseley Braun in that state, but it was not enough to amend the constitution and make education a fundamental right.

It is also true that states can make some progress on this problem by school district reorganization and consolidation. Inequalities between school districts are often much worse in states that have so-called "dual districts," that is, separate administrative structures for high schools and elementary schools, as well as K-12 units. However, reorganization and consolidation is vigorously opposed in many rural communities, because the school may be the last vestige of organizational life left in that community. If rural decline has taken away the bank, the businesses, and the local doctor, then the church and the school may be all that is left to give cohesiveness to the little hamlet or village. It should be noted in this regard that southern states have an advantage on this inequality problem in two respects. First, the unit of educational governance in the southern states is the county, not the special district, as in the north. Second, on the whole, the southern states finance their K-12 education more from the state level than they do the local level. For these two reasons disparities are less in the South than in the north and mid-west.

I will conclude this testimony by outlining a program of six specific actions which the federal government might take to enhance equal educational opportunities and reduce disparities in service levels between school districts. I must first deal briefly, however, with the question of "does money make a difference." Money certainly makes a difference in what is offered to students in the schools. Studies in Illinois clearly show that the curricula of the better-financed schools is wider and deeper than that of the poorly-financed schools. If one takes the case of a hypothetical school at \$6,000 per child per year versus one at \$3,000 per child per year the \$3,000 school will lack both advanced placement courses and remedial courses. Choice will also be greatly limited in the \$3,000 school. The lower-funded school may have no foreign languages at all and may also have no advanced math courses. Offerings in music and art will likely be very sparse. Without going into excessive detail, it can be said that the lower-priced education is a "bare bones" affair providing only the minimum state requirements.

While there is little question that expenditures relate to educational services provided, there is controversy over whether expenditures relate to outputs such as test scores. Professor Hanushek and his colleagues strongly suggest that they do not. Perhaps a clue lies here in the curriculum matter. Even the most meagerly provided for school in Illinois will offer the minimum state requirements in verbal and quantitative education. They must, in order to be certified by the State Department of Education. It is specifically those cognitive areas that are tested on most "output" tests. The lower-funded schools can, therefore, do reasonably well on those tests because what they fail to provide simply is not tested.

There are also serious technical problems with the "production function" studies which provide the basis for the conclusion that "money does not make a difference." Before teaching school finance, I taught statistics, and I can assure you that the multiple linear regression technique contains assumptions, which, if violated, will lead to false policy conclusions. One assumption, often violated in these production function studies, is that expenditures per pupil and the socio-economic level of the district are independent variables. This is clearly false. The socio-economic level of the district (often measured by the per capita personal income of the district) and the expenditure level of the district are highly correlated. It is, therefore, extremely difficult, if not outright impossible, to ascertain the separate and independent effect of expenditure per pupil on test scores, holding constant the socio-economic level of the district. At the Center at ISU we are experimenting with a quantitative technique called the "quadriform," which may offer a way around this problem; but, this approach is experimental at this stage of development. The fact that most production functions are linear rather than curvilinear is also a matter of some concern.

Now, to the program I am recommending. First, as you move toward reauthorization of the Elementary and Secondary Education Act, I would urge you to strengthen the provisions of that act that distribute federal funds on the basis of the concentration of poverty children in the school districts. The States of Illinois and Minnesota have had many years' experience with this particular variable. In general, it does assure that the funds go to the school district with the most problems. Extensive research at Illinois State University and elsewhere shows that, where a majority of the students come from poverty homes, test scores from those districts decline precipitously. The range on this variable is vast. In Illinois, we go from school districts that have less than one percent of school children from poverty homes to districts that have almost 100% of the school children from poverty homes. In East St. Louis, about which Jonathan Kozol writes so vividly, nearly 90% of the children are from poverty homes. In one of the largest school districts in the United States, Chicago, a majority of pupils come from poverty homes. Clearly, some progress can be made here by making much of the distribution of federal funds dependent upon this variable. Since it is true that even some affluent suburban districts have a least some children from poverty homes, the act should also provide that the needs of poor students in rich districts also be met. But, it must be emphasized that it is in the districts where 70%, or 80%, or 90% of the children are from poverty-level homes where the situation is truly desperate.

Second, I believe the time has come to look again at legislation introduced into this body over twenty years ago, in the 92nd Congress, by Senators Stevenson, Mondale, and Javits, with a companion bill which I think was introduced into the House by Representative Carl Perkins. There may also have been a bill introduced about that time by Representative Obey of Wisconsin. These bills offered a federal supplement for states that would reduce the disparity in goods and services between school districts. A problem will emerge here, however, on whether the reward is offered "ex post facto" or "ex ante." If it is offered after the fact, California will receive the federal reward since they have made progress in reducing disparity. However, it may be a very long time for Illinois to receive any reward because we have been going in the other direction, more inequalities, for nearly 15 years. On the other hand, if enough reward is provided, perhaps one might be able to turn around even Illinois. I do not think a penalty by the federal government would work. If one penalizes Illinois for going in the wrong direction by withdrawing federal funds, a severe penalty would be placed upon East St. Louis. Surely, that is the last thing anyone would want to do.

An alternative to the second recommendation might be to re-institute "revenue sharing" between the federal government and the state government. It is an incontrovertible fact that the ONLY time the State of Illinois made any serious progress on closing the disparities in funding between school districts was in the early 1970s when revenue sharing funds were made available from the federal level. Should the revenue sharing program be re-implemented, perhaps this time the funds can be specifically earmarked to reduce disparities in service levels between school districts.

Third, there is one place in which a federal penalty might work. I hesitate to suggest it, but I think I must. There are many school districts in this nation with less than 100 pupils in the district. Many years ago, after an extensive study of high schools, James Bryce Conant, then the president of my alma mater, Harvard, said that high schools of less than 100 students could not provide for the educational needs of students, particularly in the sciences. Present day research seems to agree with President Conant's opinion. To be sure, there are probably "necessarily existent" small schools in mountainous areas or in the vast reaches of west Texas. Those could be exempted. But I see little reason to send federal funds into districts which are far too small to be economically efficient. Consolidation and reorganization can also be greatly encouraged by a federal program that would help build new, regional high schools. In Indiana,

a very useful compromise was reached by having the small towns retain the elementary schools and a new high school was established for several small towns. This reward approach is probably better than a penalty approach.

In this connection, it seems to me that there is not enough articulation between committees of Congress such as this one and the data gathering and data analyzing elements of the executive branch. I understand the desire to keep NCES and OERI somewhat clear of partisan politics, but data collection and analysis unrelated to the issues that this and other committees of Congress are considering can become esoteric at best, and futile and sterile at worst. Better to have the research partisan than to have the research irrelevant to the major policy issues of the day.

Fourth, the Congress could and should strengthen the hand of those who are attempting to collect accurate data on this public policy problem. It is not easy to collect data on over 13,000 school districts in this country. Few modern nations have this kind of data collection problem. Later this week, I will address this problem at a meeting of the National Center for Educational Statistics in Washington. I would commend highly to this body the efforts of William Fowler of the NCES, Larry MacDonald of the Bureau of the Census, and Wayne Riddle of the Congressional Reference Service. They have done remarkably well with very, very little resources. Moreover, we cannot make good policy with bad data and something more will have to be done here. I have tried to enlist the assistance of the Office of Educational Research and Improvement on this matter, but, so far, have not met with much success. Perhaps this is due to the change in administrations.

Fifth, perhaps the time has arrived to create another Presidential Commission on School Finance. We had such a commission during the Nixon administration; and, while the major recommendations of that commission were not accepted, many valuable ideas did emerge from the commission. For example, the notion of distributing funds on the basis of the concentration of poverty had its genesis in that commission. That idea was not adopted at that time by the federal government, but it was adopted by the state governments in Illinois and Minnesota. There are younger, perhaps more able, students of school finance about in the land. We should give them a forum to bring forth new ideas in this area.

Finally, if only to demonstrate that I really am from an "ivory tower," I would argue that the time may have arrived in which we should consider adding an education amendment to the national constitution. Remember, I am not totally in that tower and have just come from a battle to try to do that at the state level. I know many of us in this room would probably not live to see such an amendment ratified by the necessary states. However, I think that ultimately this whole matter turns on the right of a child to an adequate education. Count me among those who believe that this right should be enshrined in the American constitution. In a recent publication entitled Invictus, I have argued--for probably the millionth time in my long career--that, without a guarantee of an adequate education for every child, this Republic will not long stand. In that publication, I outlined good political, economic, and social reasons for believing that, "no strong public school, then no strong representative system of government." If the disparity problem is not addressed by either the state or the national governments, we will drift slowly toward a society in which the affluent school districts have good schools and the poor school districts have terrible schools. Eventually, that drift will take us to a beach in which government by a well-educated elite is possible and the poorly-educated will have little participation in the governing process. I was a Marine. I have landed on many beaches before. I do not want to hit that beach.

TESTIMONY TO THE REVENUE COMMITTEE  
OF THE ILLINOIS STATE SENATE

September 23, 1993

Chairman DeAngelis, Senators, Members of the Staff:

My name is G. Alan K. W. Hickrod and I am the Distinguished Professor of Educational Administration at Illinois State University. I am also Director of the Center for the Study of Educational Finance at ISU and a past president of the American Education Finance Association. I appreciate the opportunity to testify before your committee and am always amazed that the General Assembly courteously continues to listen to me over a span of a quarter of a century. You would think they have heard everything I could possibly say in that length of time.

I've been asked today to do three disparate things; so I have divided my testimony into Parts I, II, and III. In Part I, I will discuss the heritage of the school finance reform of 1973. I am attempting no complete history of school finance reform since 1973. That would take far more time than you probably wish to invest in this issue, at this time. Of course, there are documents to which you can go for further details, if you find that you want to read more about the subject. However, it is important that you understand some of the principles involved in the reform of 1973, because Santayana was right; e.g., "Those who do not know the past are condemned to repeat it." You are fortunate, indeed, in having among your ranks, Senator Arthur Berman who was a principal actor in those reforms of two decades ago. But, even Senator Berman may not know where some of the ideas which were incorporated into the school finance reform of 1973, originally came from; therefore, it is important to put that information into the record before some of us disappear from the scene. Some of the events discussed in Part I go back a quarter of a century. In that length of time, selective forgetting on my part is bound to have occurred. To guard against the distortions of memory that time inflicts upon us, I have asked ISU University Professor Emeritus Ben C. Hubbard to look over this testimony. In the main, I am happy to say that his memory does accord with mine as to the original source of ideas in the reform of 1973 and the events described herein.

My second task is to respond to momentous school finance events in our neighboring state of Michigan. Most people know, by now, that Michigan has abolished the property tax for the schools, but not everyone knows of other school finance initiatives that are under way in that state. Some of these other initiatives are most instructive, especially on the revenue side. So Part II of my remarks will deal with that issue.

In the final part, I have made some recommendations for the committee's consideration and I wish it understood, as it has been in the past, that I speak entirely as a long-term student of school finance and not as a representative for any organization, although some organizations might agree with some of the recommendations.

## Part I: The Heritage of the Reform of 1973

The 20/20 of hindsight is a remarkable thing. Looking back two decades, several things are much clearer to me now than they were then. First, I believe the Illinois General Assembly enacted the reform of 1973 in response to the first major constitutional challenge in school finance in 1971 in California, Serrano v. Priest. We have now become very jaded about these constitutional challenges, because there are so very many of them. No less than 41 states have experienced constitutional challenges to their school finance systems and 12 states have found their school funding systems to be in violation of their state constitutions. The Center at ISU has monitored those constitutional challenges, and the most recent listing of all that litigation is attached as an Appendix to this monograph. The climate in 1972 was much different from what it is now. Governor Ogilvie promptly reacted to the California supreme court decision and immediately created a task force on school finance. Superintendent Bakalis did the same thing; and, not to be outdone, the General Assembly created a third task force, chaired by the late Representative Charles Clabaugh.<sup>2</sup> Through some act of legerdemain--that I still do not fully understand--Professor Ben C. Hubbard (now University Professor Emeritus) and I served on two of those task forces and acted as staff for the third one. This fact obviously provided a lot of communication between the three task forces working in the shadow of Serrano v. Priest.

The Illinois School Problems Commission, a body with a fine educational record which is now greatly missed, had been experimenting with different grant-in-aid models since 1969, but the legislation was going nowhere. Then came the Serrano decision in California and that moved the legislation forward with great rapidity. Also, as I mentioned in testimony which I recently gave to the United States Senate, the presence of federal revenue sharing in those years greatly added to the possibility of changing the funding structure for K-12 education in Illinois. This relatively unexpected "windfall" from the federal level contrasts sharply with the current demands of the federal government which inhibit, rather than encourage, school finance reform in the states.

Whatever the motivation, we did make a major change in the funding structure for K-12 education in 1973, the first major change in the funding structure since 1927. Two major concepts were added to the K-12 funding structure at that time; one remains to this day and the other was removed from the K-12 funding system in 1980. Let us deal first with the concept that did NOT last and then we will deal with the concept that DID last.

During 1970 and 1971, Professor Jack Coons of the University of California Law School at Berkeley had been advocating a remedy to the constitutional complaint that had been brought forward in Serrano v. Priest.<sup>3</sup> This essentially required that any two school districts which exerted the same tax effort be able to produce the same amount of state and local revenue. In Illinois, that principle was summarized under the slogan, "equal expenditure for equal effort." (Professor Coons still believes this is the solution to these school finance challenges and advocates this in court cases in which he appears as a witness.) This principle was adopted by the Illinois General Assembly and entered the formula as a part of the so-called "resource equalizer" which was enacted along with the existing grant-in-aid system. From 1973 to 1980, Illinois had one of the most complicated grant-in-aid systems in the nation since the General Assembly did not abolish the old general purpose grant-in-aid but merely adopted a new grant-in-aid as an additional option for school districts. During that seven year period of time, Illinois had a funding system that rewarded local tax effort. This meant that, during those seven years, an increase in the local tax rate not only brought a district more local funds, but also brought the district additional state funds as well.

By 1980, the tax climate had changed greatly and many members of the General Assembly felt that it was not necessary to encourage additional local property taxation for education. Property tax relief had become a great concern and a school finance formula that

actually encouraged increases in local tax rates was thought to be out of step with the times. By that date, it was also obvious that wealthy school districts were passing their local tax referenda, but poor school districts were not passing their referenda. The result of "reward for local effort" was that the disparity between the high-spending districts and the low-spending districts was becoming worse and worse. The increasing spread between the high-spending and the low-spending districts has been documented many times by the studies of the Center at ISU.<sup>4</sup> That increasing disparity is caused by a number of factors which are not related directly to the grant-in-aid formula. However, it was true that the "equal expenditure for equal effort" factor contributed to these growing inequalities. There were also some complicated "access" problems between high school districts, elementary districts, and unit districts to the funding formula which the General Assembly had been struggling with for years prior to 1980. The result was that the "equal expenditure for equal effort" aspect of the funding system was abandoned by the legislature in 1980. It is very important to remember this history, because "equal expenditure for equal effort" is still a principle favored by some courts as they explore remedies to the un-constitutionality of many K-12 funding systems. It is not at all unlikely that this principle may again surface should plaintiffs prevail in the current Illinois litigation, the Committee v. Edgar.

Of equal importance--perhaps in the long run, of greater importance--was the adoption by the Illinois General Assembly in 1973 of the principle of greater state funding for poverty impacted school districts. This principle has a long history which is not understood by very many people. The inception of this notion goes all the way back to the middle 1960's and the Kennedy-Johnson administration. It arose from sociological research conducted by Alan Wilson in California on the effects of "school climate" on learning.<sup>5</sup> Wilson had documented in some detail that the socioeconomic composition of the school was a major factor in almost everything that occurred in the public schools. He was able to show that the percentage of children in poverty had a very negative effect on learning. Since that time, research at ISU and elsewhere has continued to confirm Wilson's findings. The percentage of children in poverty in a school district is the single, best predictor--in a negative sense--of test scores in a district. Furthermore, it appears to be a curvilinear function; that is, when a district exceeds 50% in poverty--becomes a "majority poverty impacted" district--the test scores of that district fall precipitously.

This important notion came into the school finance world through a Presidential Commission on School Finance established by President Nixon.<sup>6</sup> When that Commission reported in 1971, it recommended that the distribution of federal funds be based strongly on the concentration of poverty in a school district. That recommendation was not followed at the national level at that time, but two states--Illinois and Minnesota--did build that principle into the state distribution of funds for education. In Illinois, the General Assembly was also greatly influenced by evidence that Professor William P. McClure of the University of Illinois produced concerning the additional costs of educating children from poverty homes. Since both the financial and the sociological evidence was so overwhelming, the General Assembly built into the K-12 distribution system a provision that, as the district's concentration of poverty increases, the district receives more state aid, all other things remaining equal. Unfortunately, subsequently, the legislature chose to put a cap on that provision in the distribution formula and greatly weakened the poverty impact provision. Again, Senator Berman can provide extensive detail on the legislative history of this provision of the general purpose grant-in-aid system. I believe we built here better than we knew at the time. It is interesting to me that, after nearly two decades, the federal government is again looking at this principle of distributing funds based upon the concentration of poverty. It appears that the Clinton administration will back this principle strongly in the re-authorization of the Elementary and Secondary Education Act of 1964 which will occur next year. So much for ancient history; I turn now to current history.

## Part II: Reactions to Michigan

Governor Engler in Michigan may think he is Alexander the Great. You will remember that Alexander burned his boats at the Hellespont in order that his troops would have to follow him into Asia Minor. This is, by the way, not the first Michigan Governor to recommend full state assumption of K-12 education; that is, no local revenue at all to support K-12. Full state assumption was recommended by Governor G. Menon Williams, two decades ago. However, "full state assumptioners" usually have the courage to recommend just what state revenue source they are going to use to replace the lost local revenue; but, so far, Governor Engler has declined to do that. He does have until the end of this calendar year to recommend a replacement for the lost local revenue. He also has an emergency task force working on a new K-12 funding procedure. Theoretically, it would be possible to stop the removal of the local property tax in Michigan by placing the enacted law upon the ballot through a legislative initiative procedure which the Michigan constitution provides (but which is not present in the Illinois constitution). The people would then vote on whether to sustain the removal of the property tax, or to kill the duly enacted law. This would require only a simple majority under the terms of the Michigan constitution. Furthermore, the mere filing of a petition on Senate Bill #1, stops the implementation of that law even though passed and signed by the Governor. Thus, if the necessary signatures can be obtained, it is possible to delay the abolition of the local property tax in Michigan.

Other initiatives are also struggling to get on the ballot. The Olmstead/Kearney Initiative also would replace the present funding system for K-12 education in Michigan.<sup>9</sup> That "O/K" initiative contains several provisions that well might be considered as useful ideas for ordinary legislation in Illinois. In the first place, the "O/K" initiative sets up the goal of state funding as, "50/50 plus the lottery." That means the state is committed by statute to providing 50% of the school revenue plus the earmarked lottery returns. This is a reasonable goal and might well be considered for Illinois. Second, the O/K initiative also calls for property tax relief. It does this by requiring a mandated roll-back of property taxes to the 30 mill level (\$3.00 per hundred dollar valuation in Illinois terms). Again, not a particularly bad idea for Illinois. It does not make a great deal of sense to cap taxes or property tax extensions in districts that are not making a very high tax effort, in the first place. I have one reservation with the "O/K" initiative; I am no longer so sure that the property tax rate in a school district really reveals what kind of tax effort is being made by that school district. I would like to take a look at a different kind of measure of local tax effort; e.g., money locally raised, divided by personal income of the school district. Some call this a form of "effective tax rate," as opposed to "nominal tax rate." This will be possible later this year when new personal income data are available from the U.S. Census of Population and Housing by school district. Still, the general principal is a valid one: those with high tax effort should receive the relief; those with low tax effort do not. Under the "O/K" initiative, the state replaces those revenues lost in roll back on a dollar-for-dollar basis. This provides no NEW money for the schools, but it does provide effective property tax relief to the taxpayers.

Where will this money come from? Michigan currently earmarks more of its money for education than does Illinois. For example, in Michigan, 60% of the sales tax revenue and a smaller percentages of the cigarette and liquor taxes are earmarked for the schools. This would be increased under the "O/K" initiative by specifically earmarking revenue from the state income tax which would increase from 16% to 30% in six years. For many years, I have opposed earmarking taxes for education. However, I think it is time I switched ground. Both Abraham Lincoln and Richard Ogilvie were honest enough to admit that they raised revenues ostensibly for education and then switched the funds to non-educational needs. I don't think we can continue to get away with that in Illinois any longer. Therefore, I think that we should consider earmarking special excise taxes for education. The lottery, cigarette and liquor taxes, and off-track betting and riverboat gambling taxes come to mind. Before we proceed to

earmarking a percentage of the income tax revenue for education, I would like to see what earmarking the special excise taxes would yield for educational funding. Politically, in Michigan, the O/K initiative faces uphill sledding since the opposition regards it as a "spend first" and "tax later" approach, and neither the incumbent Republican governor nor the Democratic challenger has rushed to support the initiative, at least of my last intelligence from Michigan.

### III. Policy Recommendations

Based upon the history of school finance, partially recounted herein, and also based upon recent actions in other states, I respectfully request consideration of the following five policy recommendations.

- A. It is recommended that new, special excise taxes on off-track gambling and riverboat gambling be passed and that these be earmarked for the support of K-12 education.
- B. It is recommended that a review be made of all existing special excise taxes--cigarettes, liquor, lottery, etc.--with a view to earmarking portions of these taxes for the support of K-12 education.
- C. It is recommended that a mandated, minimum property tax rate be required for all school districts. It is assuredly true that Illinois depends far too much on the property tax to support public education, but total abolition of the property tax in the manner that Michigan has done is far too risky an undertaking.
- D. It is recommended that there be a mandatory roll-back of existing property taxes for K-12 education with dollar-for-dollar replacement provided to school districts for lost local revenue. This should be from the top down; e.g., property tax relief to the high taxing districts first.
- E. The "poverty impaction" weighting in the state general purpose grant-in-aid for K-12 education should be modified as follows:
  1. The weighting for a district with a poverty percentage equal to the state poverty percentage should be returned to the value recommended a quarter of a century ago by Professor William McClure, which is .83.
  2. The "cap" on the poverty impaction weighting should be removed for any district with more than 50% poverty impaction.
  3. The poverty pupil count used in the poverty factor should not be derived from the U.S. Census count, but rather should be a count collected and audited by the state. The free and reduced lunch count is a good possibility, once it is properly audited.

### Notes and References

1. Though it has not been brought up to date, there is a short history of school finance available which is still helpful: Hickrod, Hubbard, and Elder, A Brief History of K-12 Finance in Illinois or 162 Years in Search of the Perfect Formula, 1987, Center for the Study of Educational Finance, Illinois State University, Normal, Illinois; For a detailed account of events in the early 1970's, consult two doctoral dissertations: Langston, Suzanne W., "Illinois Politics of Education: A Case of Symbolism and Bargaining," University of Chicago, 1979; also Hoffman, Gene L., "A Description of the Evolution of the General Distributive Fund in Illinois," Northern Illinois University, 1981
2. The two Commissions of the Governor and the State Superintendent issued final reports in 1973 which are still extant: Governors Commission on Schools, Organization and Structure Task Force, Final Report: Opportunities for Excellence, 1973, Illinois Bureau of the Budget; Superintendent's Advisory Committee on School Finance: Final Report, 1973, Office of the Superintendent of Public Instruction. I cannot recall if the legislative commission issued a final report. If they did it is not now in my possession.
3. Coons, John E., McClune, William H. III, and Steven D. Sugarman, Private Wealth and Public Education, 1970, Harvard University Press (Regrettably, I believe now out of print).
4. The Center for the Study of Educational Finance has issued a number of reports documenting the constantly expanding disparities between school districts in this state. The most recent was: Hickrod, G.A., Chaudhari, R.B., Arnold, R.L. Frank, L.E., Franklin, D.L., Pruyne, G.B., and Carlock, K., The Long March to Educational Inequality in Illinois: Factual Background for the Committee v. Edgar, 1991, Normal, Illinois. See also: Hickrod, G.A. and Franklin, D.L. et al., Gulity Governments: The Problem of Inadequate Education Funding in Illinois and Other States, 1988.
5. Wilson, Alan B., Educationally Disadvantaged Children in California, 1966, Survey Research Center, University of California at Berkeley, Berkeley, California; and Educational Consequences of Segregation in a California Community, 1966, Survey Research Center, University of California, Berkeley, California. See also: Shaw, K., Hickrod, G.A., and Lynn R., Social Integration-Problems and Implications, 1968, Phi Delta Kappa, Illinois State University. Among the studies of the impact of percentage chapter one and percentage low income on test scores see: Yong, Richard S., "The Impact of Wealth and Size on Selected Accountability Indicators of Illinois School Districts," doctoral dissertation, 1987, Illinois State University; and, more recently, see Andersen R.R., Stout, R.A., Eisenberg, M.J. and Nowlan, J.D., Performance Rankings of Illinois School Districts, 1993, Taypayers' Federation of Illinois, Springfield, Illinois.
6. President's Commission on School Finance, Final Report: Schools, People, and Money, 1972, Washington, D.C.
7. For ground breaking program cost studies see: William P. McClure and Audra M. Pense, Early Childhood and Basic Elementary and Secondary Education-Needs, Programs, Demands, and Costs, 1970, Bureau of Educational Research, U. of Illinois, Urbana, Illinois; see also Rossmiller, Richard A., James A. Hale, and Lloyd E. Frohreich, Educational Programs for Exceptional Children: Resource Configurations and Costs, 1970 Department of Educational Administration, University of Wisconsin, Madison, Wisconsin. These studies were summarized in R.L. Johns and Kern Alexander, Alternative Programs for Financing Education, 1971, National Education Finance Project, University of Florida. Professor William P. McClure had reported a cost differential of 1.83 for compensatory

education programs in 1968-69 and that value was recommended by Professors Hubbard and Hickrod as the value to be used in the Illinois allocation formula. However that value was not adopted by the General Assembly in 1973. Instead a value of .50 was used for districts with a concentration of poverty equal to the state concentration of poverty. Also at that time, a "cap" was enacted on that factor in the formula of .75. That is, no matter what the ratio of the percentage poverty students in the district was to the percentage of poverty students in the state the additional weighting for poverty students could not exceed .75. Neither the reduction from .83 to .50, nor the .75 cap was based upon any educational research with which I am familiar. The only rationale given at that time (1973)--or, in fact, at any time since 1973--was that, with the original values as recommended by McClure, Hubbard and Hickrod, the reform of 1973 would have cost more than the state had available to fund it. The average value has since been increased slightly to .53, but the cap has been reduced to .625. Again, I am not aware of any justification for these actions which could be said to be based on any educational research that I know of. It is interesting in this regard to note that an Amicus filed on behalf of plaintiff in the Committee v. Edgar challenges the constitutionality of the "cap" on the grounds that said cap discriminates against districts with high concentrations of minority children. This particular Amicus was filed by the Urban League of Chicago.

8. Kearney, C. Philip, The Olmstead/Kearney Initiative, 1993, (memo), Department of Educational Administration, University of Michigan, Ann Arbor, Michigan.

**OPTIONS FOR FUNDING K-12 EDUCATION IN ILLINOIS**  
G. A. Hickrod, R. Arnold, R. B. Chaudhari, L. McNeal, G. B. Pruyne  
November, 1993

**I. Options of the First Order - Tidal Waves**

These plans would involve major structural revision in the manner of funding K-12 education in Illinois

**Model A: Full State Assumption Plus Local Tax Overrides**

Abolish local property taxes in Illinois, as has been done in Michigan. However, unlike Michigan, replace the local property tax with a state-wide property tax earmarked for education, probably at about \$3.50 per hundred dollars valuation. Distribute the funds on a flat grant of about \$4,000 per weighted pupil. These are values for unit districts, other values would need to be devised for dual districts. Revise the weighting for poverty impact and attach that to the student count, retaining the principle of giving larger grants to districts with higher concentrations of poverty, a principle which has been used for almost two decades in this state. Also attach a geographic cost-of-living weighting to the pupil count. No "formulas," as conventionally understood, are needed in this approach since no measurements of wealth at the local level are needed or used. For school districts which wish to spend more than \$4,000 per weighted student, allow the district to tax more than the state-mandated \$3.50 on the basis of a local referendum (the tax override). In essence, this moves the question of "leveling down vs. tax relief" off the shoulders of the General Assembly and over to the local taxpayer. If the referenda fail, high spending districts will have to "level down" to \$4,000 per weighted child; e.g., the local taxpayer will have elected property tax relief over leveling down. If the referenda succeed, high spending districts will not have to level down, but there will not be much property tax relief. This is "almost" full state assumption since no state is wealthy enough to level up to the expenditures of the highest expending districts. It has some similarities to the Engler plan in Michigan, but money does not follow the child in this plan, hence it is not a "voucher" proposal as is the Engler plan.

**Model B: Full State Assumption for Elementary Schools and Continued Joint State-Local Funding for High Schools**

This is a plan advanced nationally by the late Walter I. Garms and in Illinois by Professor Robert Arnold. Under such a plan, the state picks up the entire cost of elementary education and "formulas" continue to be used for high school funding only. As with plan A, this plan can be adjusted to allow tax overrides of the state-mandated property tax for those districts that wish to tax more than the state-wide rate. It might be possible to combine this approach with a reorganization of school districts. Rather than the present three types of districts, combine all three into elementary districts (fully-funded by the state) and high school districts (which continue on joint state/local funding). There would be no unit districts under such a configuration. This might afford an opportunity for the regional organization of school districts into rural, suburban, and urban configurations not now found in Illinois. This model can also be utilized in systems that leave the elementaries in small towns while building regional high schools. Very small high school districts pose major funding and educational opportunity problems in rural areas of Illinois.

#### Model C: Foundation Approach with Recapture

Abolish the present formula and return to the formula used from 1927 to 1973. That is, the grant is equal to the foundation level times the weighted pupil minus the required tax rate times the local valuation per pupil--often referred to as the "Strayer-Haig" approach after the professors who invented it. However, in this reincarnation, when the state-required tax rate times the local valuation exceeds the foundation level times the number of weighted pupils, the "excess" is kicked into a pool which is used to finance the higher foundation level. Or an interesting twist on this would be to use the "excess" to fuel a separate fund for property tax relief.

#### II. Options of the Second Order - Rough Seas

##### Model D: High Foundation with Tax Overrides

Similar to Model C, except there is no re-capture. Again, taxation beyond the state-mandated rate would require override referenda. As before, that puts the question of "leveling down" versus "property tax relief" back on the local taxpayer, which is where it probably belongs. One strong argument in favor of the "voted override" approach is that there is no need for a "tax cap." The decision to exceed the state-mandated tax rate rests with the local voter, not with the General Assembly. With a foundation level in the vicinity of \$4,000, one is looking at substantial increase in the personal income tax. However, some of us continue to believe that this can be moderated by special excise taxes on off-track betting, riverboat gambling, and land-based casinos which are earmarked for education. Sales tax revenues can also be increased by broadening the base of the tax to services, but, unless Michigan goes to 6%, as Engler is recommending, there is not much chance of getting out of line with other states which are around 4% or 5%.

##### Model E: High Foundation with an "Equal Expenditure for Equal Effort" Add-On.

There are a quite a number of states which have a "two tiered" funding system for K-12 education, the closest being Missouri. One would adopt the regular foundation level or Strayer-Haig system. However, unlike model D, when the citizenry voted the "tax override" the yield on that override would be equalized by additional state aid. Under such a system, any two school districts that taxed the same amount would be guaranteed the same amount of state dollars plus local dollars. Such a system would be similar to the system of K-12 funding this state operated between 1973 and 1980, with one important difference. The major funding is carried by the high foundation system. The "equal expenditure for equal effort" is merely an "add-on" and does not carry the major distribution of state aid. In all these models, the student can be weighted for concentration of poverty. Given the extremely strong negative relationship between concentration of poverty and low test scores, we would urge that that twenty-year policy not be lost in any reform, in fact it should be strengthened.

##### Model F: The Political Compromise Model

Give the Governor what he wants in terms of extending the property tax cap to the entire state, but insist on some quid pro quo in the form of increasing the foundation level by \$900 (\$300 per year each year for three years). One might trade "cap for cap" here. If Governor Edgar gets the property tax cap extended, then perhaps the votes might be there to raise or eliminate the cap in the formula on the poverty concentration ratio. An argument not to be overlooked here is that the cap on the poverty concentration is currently under constitutional fire in the Committee v. Edgar. The amicus brief of the Urban League added that count to the case as it went to the Appellate bench.

### III. Options of the Third Order - Sea Changes

All assume the current system of funding will not be fundamentally changed and only modifications of that system can be passed at this time.

Model G-1. Adopt a longer moving average when computing weighted pupils in the formula. There is nothing sacred about a three year moving average such as is now used. It could easily be five or six years and the longer moving average would help East St. Louis and Chicago and a number of rural schools that have been losing pupils.

Model G-2. Add the ADM and and ADA together and divide by 2. It has long been an argument of urban schools that they must staff for classes on the first day of class as if the pupils are going to show up and they should not be penalized for truancy. There is something to this argument and it can be handled by using the average of the ten day count and the ADA. Such a count can continue to be weighted for poverty concentration. Simply using the ADM rather than the ADA would help Chicago and all other urban areas more, but that might not be politically possible.

Model G-3. Escalate the foundation level each year on the basis of a cost-of-living index. In the 20/20 of hindsight, it is clear that, if we had done this 15 years ago, we would not be in this deep, dark hole now. On the average, over that 15 years, we increased the foundation level by \$100 per year and we should have been making \$200 to stay even with inflation. Since the state did not pick up its "fair share," the local revenue had to do the job and that makes for greater and greater inequalities.

Model G-4. The same as G-3 except, rather than starting to index at the present point in time, go back and pick a prior point in time and catch up. If we were honest, we would go back the whole 15 years, but that would be too expensive so dropping back about five or six years is all that is realistic.

Model H-1. Authorize "Charter School Districts" such as has been done in six other states. These are fully state funded schools that operate under the terms of a charter drafted by the State Board of Education. In Colorado, half of these charter schools must be situated in "educationally underserved" areas, which translates as urban centers or isolated rural areas. These are experimental schools which are not subject to all the restrictions of the current "school code." As such, they presumably can try new and innovative teaching methodology. We favor attaching each of these charter schools to an institution of higher education in the state and making the various universities responsible for them. They would be no burden on the higher education budget since they are fully funded by the state. Illinois State and the University of Illinois might want to use their existing "laboratory schools" for this purpose. This is not a major funding system in itself. It would be viewed as supplemental to the major funding system.

Model H-2. Another supplemental funding system might be termed, "Merit Schools." Under this system, funding would go to individual schools, not school districts, based upon demonstrated gains through time in test scores or other output measures. Systems of this nature have been successfully legislated in South Carolina and in Kentucky. We favor a relatively long period of time here, at least five years. Changes in output are probably too modest to reward in less than that period of time. We also favor the carrot rather than the stick here. The trouble with legislation aimed at punishing individual schools for lack of gain in test scores is that the state has little it can do when a district, or the school, is declared, "educationally bankrupt," unless it wants to fully fund the district and/or school and try to staff it from the state level which is not very likely. Firing the superintendent and/or the principal is unlikely to correct the basic situation.

#### IV. Summary

All of these models move the State of Illinois away from dependence on the property tax base to support education and onto either the individual income tax and/or the sales tax. All could be funded by special excise taxes on gambling in all its forms with or without earmarking for education. There is little question that all could be more easily financed with the adoption of a progressive state income tax in place of the present flat rate income tax. All models assume that money does make a difference, or, at least, that large differences in money spent between school districts does represent real differences in educational services provided to the children of citizens. All models can accommodate the emphasis of several researchers, including Professor Arnold, to find more cost-effective ways of spending increased funding for education.

The property tax relief aspect varies from model to model. In Model A, for example, some school districts would receive property tax relief--those taxing above \$3.50--but some would be required to find more property taxes--those taxing below \$3.50. Model C probably requires the least new state funds since the "recapture" provision generates the funding to supply this model. The H-Models would likely generate votes among those who feel that no new money at all should be provided until there is evidence of increased effectiveness in the public schools. All these models would help in one degree or another to solve the basic dilemma of Illinois school finance: declining funding relative to other states, and increasing disparity between school districts within the state. The financial procedures are available to solve these problems. Some portion of these problems can be solved by a tax shift: property tax to sales/income taxes, without a great increase in taxation. However, part of the problems cannot be solved without additional taxation for education. In the face of a "no new taxes" public opinion, it will take real political grit to find additional revenues. For that reason, we believe a new look should be taken at earmarking taxes for education. Polls generally indicate that the public is not adverse to increased taxation for education if they can be sure the increased tax funds will be spent for that purpose and for that purpose alone.

October 28, 1993

Ms. Jan Flapan  
Progree Illinois  
c/o League of Women Voters of Illinois  
332 South Michigan Avenue, Suite 1142  
Chicago, IL 60604

Dear Jan:

With respect to your inquiry about the connection between a graduated income tax and two related topics, school funding and property tax relief, I would comment as follows.

There is an indirect, but nevertheless important, connection with school funding. For the past decade and a half, the foundation level in the state aid formula has been about \$100 less than it should be each year to keep up with inflation and to help close the gap in spending between high-spending and low-spending districts. This puts us about \$1,500 per child behind in general grants-in-aid, at the present moment. That is an awfully lot of money to make up at one fell swoop and the General Assembly has been understandably reluctant to do this. The result has been that spending for K-12 education in Illinois has fallen relative to other states. This situation, in which the state has not been picking up its "fair share" of the burden, causes the local school boards to lean even more heavily upon the local property tax to support education. The result is that, while the Illinois taxpayer does get a break on the income tax, that same taxpayer must shoulder heavier property tax burdens than in many other states. The lighter income tax burden, in other words, was not "free," it simply caused a heavier property tax load. Also, the dependence on the property tax has contributed strongly to the growing disparity between school districts which is the subject of the constitutional litigation, the Committee v. Edgar.

It is my professional opinion that, had Illinois had a progressive income tax over this last decade and a half, we would not have fallen so badly relative to other states in K-12 funding, and perhaps the disparities might have been kept to a level that the constitutional challenge would not have been needed. There is absolutely no question in my mind that the present adoption of a progressive income tax would contribute greatly to both adequacy of funding K-12 education and also equity in funding K-12 education. It would also stop the shift of tax burden from the income tax to the property tax.

Our research at the Center indicates, by the way, that when plaintiffs win in their constitutional school finance cases around the United States that is exactly what happens, e.g., the cost of funding the public schools is shifted from the property tax to the state sales and state income taxes. Should plaintiff win in the Committee v. Edgar, this would also happen in Illinois.

I cannot imagine why anyone wanting equitable and adequate funding for education would not support your cause. I certainly do, and anything we can provide by way of financial research to support the adoption of a progressive income tax, subject to the limitation of our other responsibilities, we would be glad to provide.

Cordially,

George Alan Karnes Wallis Hickrod  
The Distinguished Professor of Educational Administration and Foundations, ISU  
Director, CSEF  
Past President, American Education Finance Association

## EDUCATIONAL COSTS

Robert Arnold

Cost per student figures which are so prevalent in educational statistics cannot represent the actual cost of education. They are averages: often total expenditures<sup>1,2</sup> divided by total students. Nor do cost comparisons based on the fund-function-object format indicate what costs should be. They combine broad varieties of activities into categories which cannot be segregated into direct, contributing costs or marginal overhead. An altogether new cost accounting approach is needed in education that will help decide which educational activities effectively add value to the educational process. Business and industry have developed new cost systems to meet global challenges. Education should be addressing its challenges with a better cost-management system.

**Individualized Cost.** Student units are frequently utilized in educational research because of their comparability and size-controlling attributes. Student units are too different, one from another, that educational revenue and cost pools cannot be assigned accurately.

It has been said that no unit costs are better than inaccurate ones; the reason being that unless they are reliable they may lead to unwarranted and erroneous conclusions on the part of administrators, taxpayers, and the public, generally. Crude unit costs, although both theoretically and technically correct, may be almost as misleading as inaccurate ones. No unit cost figure should be used as the basis for decisive action or opinions without careful evaluation in light of all pertinent facts.<sup>3</sup>

There have been some excellent approaches to allocating educational costs: the Resource Cost Model, and, more recently, the version the State of Illinois is developing, the Adequacy Model. They are, however, types of unit costs and largely misrepresent educational activity. They perform a useful service in that they convey in layperson's terms a seemingly understandable statistic. However, nothing remotely resembling actual costs for a student, or a program or an activity is achieved. Cost standards should be based instead on the specific elements of work activity that make up teaching, administration, and support.

Measuring, recording and reporting unit costs are risky and should not be used to form policy. Developing policy from a dollar figure per student compresses an enormous range of disparity into one index. Per pupil cost is endemic in educational policy and not worth very much to administration. Consequently, not as much is known at the grass roots level about adequate educational financial support levels as has been presumed. And, new dollars for education should not be applied until it can be shown which specific activities will be affected, how quality will be affected, and how performance will be improved. One of the great leaps policy makers frequently make is from dollars to performance. Instead they should promulgate activities that will add value to the educational process, and direct appropriations toward contributing program activities and not toward per pupil units of measure.

In schools, site-based management has been inhibited by the allocation of dollars based on arbitrary amounts per student. Most unit allocations are insubstantial and specious. Support service costs, for example, are not incurred because of average students served. They are incurred because of problematical situations. Classroom instruction, too, is seldom performed uniformly for all students. Funds should be allocated to specific purposes and for activities that arise from those purposes. Research should be directed toward measuring the costs of resources and qualities of purposeful activities for clients and programs. Methods of delivering instruction should be coupled with service administration.

The present Handbook II account code classification system in local education agencies does not let researchers identify the costs of education. Costs are broad and general, and are not the basis any longer for measuring adequacy or efficiency. Standard programs that apply to most or all students do not exist anymore, and the present cost accounting systems cannot extract standard measures from the Handbook II classifications. When new money is available for education the work activity should be the target of the funding so teaching efficiency and technological productivity are achieved.

**Comparative Cost.** Financial statements for school districts follow the Handbook II format and report expenditures in one form or another of fund-function-object. Funds are education, building, transportation and so forth. Functions are primarily instruction, and the support services of the principal, executive district administration, psychologists, library, custodial, and so on. The objects are basically salaries, employee benefits, supplies, and equipment. In addition to the limited role, that of satisfying legislated financial accountability, fund-function-object dimensions have formed the basis for district administrators' educational management decisions. Perhaps the reason why dates back to 1914 when J. Howard Hutchinson<sup>4</sup> lamented the fact that that type of expenditure information was not available from school districts. Supervision, he wrote, is "the result of functional organization; it determines largely the efficiency of an institution. It means centralization of control over specialized functions...." Notice the words "function" and "functional" which undoubtedly influenced the origin of present cost accounting.

The results in the first column of the following example show that, seventy-one years later,<sup>5</sup> national cost data were still locked into that functional structure.

|                                  | National<br>Data<br>% | Dist<br>A<br>% | Dist.<br>B<br>% | Dist.<br>C<br>% | Dist.<br>D<br>% |
|----------------------------------|-----------------------|----------------|-----------------|-----------------|-----------------|
| School Administration            | 3.0                   | 7.0            | 7.3             | 7.0             | 7.2             |
| Instruction                      |                       |                |                 |                 |                 |
| Classroom teachers               |                       |                |                 |                 |                 |
| Teaching supplies                |                       |                |                 |                 |                 |
| Pupil support services           |                       |                |                 |                 |                 |
| Total                            | 71.9                  | 68.6           | 64.9            | 62.9            | 68.9            |
| Library & Media                  | 1.5                   | 2.8            | 1.8             | 1.7             | 0.0             |
| Health Services                  | 0.1                   | 0.9            | 0.2             | 0.7             | 0.0             |
| District Administration          | 3.9                   | 7.1            | 8.0             | 10.3            | 8.2             |
| Plant Operation &<br>Maintenance | 11.2                  | 10.2           | 14.3            | 13.9            | 11.9            |
| Transportation                   | 4.4                   | 3.0            | 3.3             | 3.3             | 3.5             |
| Food Service                     | 4.0                   | 0.4            | 0.2             | 0.3             | 0.2             |
| Total                            | 100.0%                | 100.0%         | 100.0%          | 100.0%          | 100.0%          |

The adjacent four district columns were 1991 data and were not helpful to administrators who were trying to make comparisons with standards to resolve expenditure problems. Another view of district expenditure utilizes a slightly different functional breakdown that was not anymore helpful in analyzing district costs.

|                                                             | Dist.<br>A<br>% | Dist.<br>B<br>% | Dist.<br>C<br>% | Dist.<br>D<br>% |
|-------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Operation Expenditures<br>per Pupil                         | 100.0           | 100.0           | 100.0           | 100.0           |
| Teacher Salaries & Benefits                                 | 42.8            | 44.1            | 39.8            | 25.5            |
| General Administration &<br>Business Salaries &<br>Benefits | 3.6             | 3.9             | 6.3             | 3.4             |
| School Administration<br>Salaries & Benefits                | 6.6             | 6.9             | 6.7             | 6.1             |
| Pupil Support Services<br>Salaries & Benefits               | 2.8             | 1.3             | 1.3             | 3.4             |
| Transportation Costs                                        | 6.2             | 12.0            | 13.8            | 7.9             |

And, a third view lifts the comparison data straight from the contemporary Handbook II functional breakdown.

|                        | Dist.<br>A<br>% | Dist.<br>B<br>% | Dist.<br>C<br>% | Dist.<br>D<br>% |
|------------------------|-----------------|-----------------|-----------------|-----------------|
| Instruction            |                 |                 |                 |                 |
| Regular                | 50.0            | 61.3            | 50.8            | 52.2            |
| Special Education      | 7.7             | 8.4             | 7.7             | 6.8             |
| Vocational             | 5.5             | 0.0             | 6.2             | 4.8             |
| Interscholastic        | 5.2             | 4.5             | 3.6             | 3.2             |
| Other                  | 1.1             | 0.5             | 0.5             | 0.4             |
| Total                  | 69.5            | 74.7            | 68.8            | 67.5            |
| Support Services       |                 |                 |                 |                 |
| Pupil                  | 3.8             | 2.2             | 2.0             | 4.1             |
| Staff                  | 4.3             | 2.7             | 2.0             | 4.1             |
| Total                  | 8.1             | 5.0             | 4.0             | 8.2             |
| General Administration | 6.1             | 4.2             | 10.2            | 4.9             |
| School Administration  | 7.7             | 9.1             | 8.3             | 8.3             |
| Business               | 8.5             | 7.0             | 8.7             | 10.6            |
| Total                  | 100.0           | 100.0           | 100.0           | 100.0           |

Attempts at determining educational costs have been hampered by a national paralysis with fund-function-object. The approach to educational cost accounting has not changed much in this century. In an attempt to develop an adequate school spending level by state in 1983, Jerry Miner<sup>6</sup> compiled data in the familiar categories and wrote afterwards that it was impossible to derive an objective standard.

|                                  |      |              |
|----------------------------------|------|--------------|
| Instructional Expenditures       |      | 61.2         |
| Instructional staff              | 77.2 |              |
| Noninstructional staff           | 5.3  |              |
| Books, supplies, and other       | 17.5 |              |
| Plant Operations and Maintenance |      | 11.2         |
| Salaries                         | 41.0 |              |
| Utilities                        | 33.0 |              |
| Supplies and other               | 26.0 |              |
| Administration                   |      | 4.9          |
| Salaries                         | 70.0 |              |
| Supplies and other               | 30.0 |              |
| Transportation                   |      | 4.4          |
| Salaries                         | 60.0 |              |
| Supplies and other               | 40.0 |              |
| Food                             |      | 3.6          |
| Attendance, Health, and other    |      | 1.1          |
| Salaries                         | 75.0 |              |
| Supplies and other               | 25.0 |              |
| Fixed Charges                    |      | 13.6         |
|                                  |      | <hr/> 100.0% |

In the large urban school districts, about a third of what is spent is on direct classroom instruction (a little less for elementary and a little more for high school) and two-thirds on the indirect functions.<sup>8,9</sup>

Because the general ledger of school districts cannot be magically reoriented, actual costs for students or groups or an educational program cannot be accurately measured without complicated, time-consuming questionnaires that annoy administrators. Contemporary costs are not generalizable and are of little value to anyone.

In Illinois, the legislature and public education regulatory agency have focused on a cost algorithm that is similar to the Resource Cost Model (RCM).<sup>7</sup> RCM had a brief run of popularity with legislators and regulatory agency personnel because it promised: effective allocation of resources, reconstituted educational programs, precise levels of service, human interaction to determine optimal resource use, unbiased resource standards, to unite educators and policy-makers, combined interests of many program categories. Unfortunately, RCM achieved none of these things with Illinois schools because it imposed such enormous overhead burdens on school districts that they could not assimilate the extra work required. The legislature and state regulatory agency adequacy algorithm reduces the RCM approach to class size and personnel requirements. The cost of operating a classroom is expressed in fractions of teachers and support personnel per pupil times the number of pupils in the classroom. The system averages averages: average educators per pupil times average salary per educator times average pupils per class. The state's current Operating Expenditure Per Pupil Index represents costs based on previous years' expenditures. The statistic does not represent the actual cost of any student in the state because costs vary so much by region, district, school, program, and student.

In explaining the difference between total expenditures for a classroom and a teacher's salary and benefits, the fund-function-object system lets the researcher down. Multiplying an average expenditure per student amount by an average class size of twenty-two students yields about one hundred thousand dollars. Subtracting an average teacher salary leaves approximately sixty thousand dollars. That majority of the cost is not the teacher (the major, direct education contributor); it is attributable to support service personnel, specialists, principals, central administrators and the

others. What is somewhat startling is that the teacher accounts for so little of the total cost of running a classroom.

From another perspective, eighty percent and more of educational costs are generally conceived to be for personnel cost—salaries and benefits. This seems contradictory because one view lends itself to the conclusion that not much can be gained from cost-cutting when less than half of what is spent is for direct instruction. While from the other view instructional salary costs consume such a large share of educational costs, that efficiency analysis is warranted.

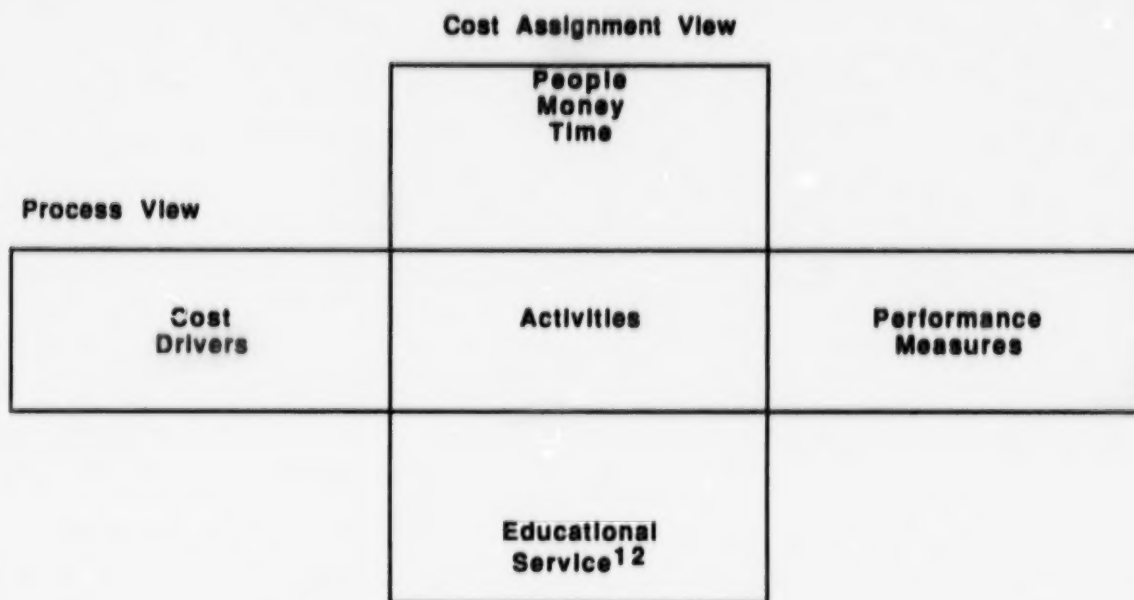
**Activity Costs.** There appears to be a better way of cost accounting for education. And, a new approach to educational cost analysis is needed because of the potential for increased education dollars in the future.<sup>10</sup> Businesses have been adopting an activity-based system of accounting. From a fiscal imperative that began with Hutchinson's frustrations and continues to frustrate financial managers, it is apparent that education's traditional expenditure breakdowns should give way to new cost accounting strategies and productivity measures.

Direct labor has decreased and overhead has increased markedly in business and probably in education as well. The product that works its way down a manufacturing line gathers hundreds of operations that with technology constitute only minutes of direct labor and represent only a fraction of the cost. A student in a classroom with twenty-five other students receives only 1/26th of the teacher's time, possibly only 1/300th of the counselor's time, and perhaps 1/500th of the principal's time. The conventional systems that we have been using cannot account for these miniscule direct costs; activity-based systems can.

Peter Turney<sup>11</sup> wrote that "conventional cost systems are dominated by functional classifications"—functional cost systems, of the type prompted by Hutchinson, the type most state school systems still use. As complex as school are today, these cost systems fail to work because they have to focus on broad categories of costs—instruction, support services—and new systems of cost analysis focus on specific activities. Traditional cost accounting systems, which never handled indirect cost allocation well, are being converted to activity-based cost accounting systems because they allocate overhead more accurately. Enterprise cannot be managed along functional lines anymore but can be managed as processes and activities. Cost analysis looks at resources, activities, and services now.

Service is the culmination of a process. A process is made up of activities. The cost system is linked to the activities. Activities consume costs just as a service consumes activities. This may not seem fundamentally different; but, when a process view of things is taken instead of a functional view, cost measures change significantly. Separating activities into those that add value and those that do not also leads to more efficiency in part because non-value-added activities are identified.

Activity-based cost accounting is an evolving body of knowledge. It originated within the manufacturing industry, it has been applied to service industries and can be applied to education. The activities in education will fall into two categories: activities that are essential to performance and possess outcome value (instruction) and activities that are essential to the organization (overhead). With cost analysis, value-added activities occur more as a result of strategic choices than functional continuation. The choices will become more important to the educational enterprise when the activities are viewed in terms of their value-added potential.



The following steps outline an activity-based cost accounting process:

1. Identify established activities.
2. Assign variable and fixed costs for each activity.
3. Determine the cost drivers for each activity.
4. Calculate unit cost for each activity by dividing all of the cost by the cost drivers.
5. Apply the activities to services.<sup>13</sup>

Activity-based cost accounting systems will answer educational cost questions and assist research and policy formulation. For a primer on the subject, refer to Peter Turney's book, Common Cents: The ABC Performance Breakthrough. The old, functional cost-per-student systems have not revealed very much about education finance. Variations on functional cost breakdowns will not help decide what should be spent on education. No research has convincingly linked functions to performance measures.<sup>14</sup> Activity-based accounting will begin to determine what adds value to educational processes and what does not.

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#### ENDNOTES

<sup>1</sup>In this paper, expenditure and cost are used interchangeably, but expenditures might be defined as what school districts spend and costs as what they should have spent.

<sup>2</sup>David H. Monk, "Educational Costs and Small Rural Schools," *Journal of Education Finance* (Fall 1990): 213-225.

<sup>3</sup>Leon E. Hay, *Accounting for Governmental and Non-Profit Entities* (Homewood, Illinois: Irwin, Inc., 1989).

<sup>4</sup>J. Howard Hutchinson, Ph.D., *School Costs and School Accounting* (New York: Teachers College of Columbia, 1914).

- <sup>5</sup>James Fox, "An Analysis of Classroom Spending," *Planning and Changing* (n.d.): 154-162.
- <sup>6</sup>Jerry Miner, "Estimates of Adequate School Spending by State Based on National Average Service Levels," *Journal of Education Finance* (Winter 1983): 316-342.
- <sup>7</sup>Bruce S. Cooper, "Right On, Fred Hess, Wrong Charges: A Further Look at School Microfinance," *Network News and Views* (June 1992): 79-83.
- <sup>8</sup>Michael Fischer, "Fiscal Accountability in Milwaukee's Public Elementary Schools: Where Does the Money Go?" *Wisconsin Policy Research Institute Report* (September 1990).
- <sup>9</sup>Jay G. Chambers and Thomas B. Parrish, *Adequacy and Equity in State School Finance and Planning: A Resource Cost Model Approach* (Stanford, CA: Institute for Research on Educational Finance and Governance, 1983).
- <sup>10</sup>Allan R. Odden and Lawrence O. Picus, *School Finance: A Policy Perspective* (New York: McGraw-Hill, Inc., 1992).
- <sup>11</sup>Peter B. B. Turney, *Common Cents: The ABC Performance Breakthrough* (Hillsboro, OR: Cost Technology, 1991).
- <sup>12</sup>Peter B. B. Turney, "Activity-Based Management," *Management Accounting* (January 1992): 21.
- <sup>13</sup>Ronald J. Lewis, "Activity-Based Costing for Marketing," *Management Accounting* (November 1991): 33-36.
- <sup>14</sup>Kelth Baker, "Yes, Throw Money at Schools," *Phi Delta Kappan* 72 (April 1991): 628-630.

# ILLINOIS STATE UNIVERSITY



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September 3, 1993

The Honorable James Pate Philip  
Illinois Senate  
327 Statehouse  
Springfield, IL 62706

Dear Sir:

As you and your staff develop the legislation that will govern Illinois school finance in the future, please consider the following alternatives to conventional thinking:

Elementary school is the most formative level of education, and benefits the individual and society more than other levels of education. High school is slightly less important; the first four years of college somewhat less, and so on. For the state to accomplish the most with its education appropriations, the majority of its support should be directed to elementary education. General state aid should fully fund elementary school, and local property taxes should be reserved for high schools. This would increase the income tax and decrease the property tax proportionally. It would achieve equity in finance and equity in program at the elementary level. This policy would also enhance local control and local alternatives for high schools and encourage choice among communities.

There are two aspects to property taxes relative to the above proposal that mitigate against its extended use. Individuals pay fifty-five percent of the property taxes and eighty-five percent of the income taxes. Shifting the support for education from property to income taxes shifts the burden much more to individuals--an incidence (of burden) that is unfair given the benefits to business and industry from elementary and secondary educations.

The property tax burden is measured in a variety of ways: one is the effective rate--the amount of taxes paid divided by the market value of property. In the center of the State the effective rate is over 2% and rising. Elsewhere, the amounts paid, in absolute terms, are higher but the effective rate is lower, below 2%. New policy regarding property taxes should take effective rates into consideration.

Currently, we know how much is spent on education, but we don't know how much education should cost. As a final suggestion, I am going out on a limb and suggesting that perhaps enough is being spent on education, and we should learn more about what education should cost and how to deliver it more efficiently and effectively.

Yours truly,

Robert Arnold, Professor  
Illinois State University

Robert Arnold, Ed.D.  
109 Malvern Drive  
Normal, IL 61761

Representative Penny L. vonBergen Wessels  
2050-L Stratton Building  
Springfield, IL 62706

Dear Representative Wessels:

Sometime ago, I received a copy of a letter to you with a cover note, both from Carl Sartwell, Superintendent of the East Coloma School District. Carl was commenting in the letter on legislation and he mentioned a monograph I had written about school district funding in Illinois. In the cover note, he suggested I write to you. Essentially, I had taken the position in that essay that the State would admit, tacitly, that it was unable to support fully prekindergarten through twelfth grade education and eliminate funding inequity, if it were to reserve its income tax support for primary and elementary education. It could begin with current appropriation levels to fully fund prekindergarten through the primary and possibly elementary, and utilize local property taxes for secondary level support.

The only way for the State to achieve equitable support of educational programming is to fully fund public education. Since that would cost about all of the revenue that an increase in the personal income tax to 6% would provide, it is unlikely it will happen. All of my experience, inclination and educational cost research have been firmly grounded in economics and finance, which teach that public entities should provide services that are affordable within tax and fee revenue limitations.

A few states fully fund education; all the other states utilize variations of foundation or equalizing systems. In either case, the support comes from combinations of revenues. Illinois' balanced approach with income and property taxes is the right approach because it effectively achieves a compromise between the two measures of wealth. Someone in the Legislature, or in the Governor's office, however, ought to make the point and become an advocate for the income tax as primary educational support and property tax as secondary educational support. The concept would be unique and it would captivate public attention and lead to constructive debate. By the way, some staff members of the State Board of Education have supported this concept.

Educational literature is laden with the pros and cons of all types of financing mechanisms. All of it, though, comes down to simple principles that govern economic enterprise, chief among them is living within current operating revenues. The income tax presently is easily capable of supporting primary education and, with a modest expansion of the State economy, capable of supporting elementary levels of education--both of which are the most formative of an individual. Illinois should seize the opportunity to initiate policy that recognizes the limitations of tax support and put into effect an affordable system of educational finance. Incidentally, the equity that would be achieved would ameliorate the conditions that gave rise to the current litigation.

Inequities at the secondary level would still be extant, but choice and community development of indigenous high school programs would make that almost desirable as well as affordable.

If you would like to pursue this concept in discussion, please don't hesitate to call me at home, my number is 309-454-6565, or at the University where my number is 309-438-2044.

Yours truly,

Robert Arnold, Professor  
Center for the Study of Educational Finance  
Illinois State University

## APPENDIX

### STATUS OF SCHOOL FINANCE CONSTITUTIONAL LITIGATION Compiled by G. Alan Hickrod and Gregory Anthony November 1993

#### I. Plaintiffs won at state supreme court level: (8)

|               |                                                           |
|---------------|-----------------------------------------------------------|
| Arkansas      | <u>Dupree v. Alma School District</u> , 1983              |
| Montana       | <u>Helena School District v. Montana</u> , 1989           |
| Kentucky      | <u>Rose v. The Council</u> , 1989                         |
| Texas         | <u>Edgewood v. Kirby</u> , 1989                           |
| Tennessee     | <u>Tennessee Small School Systems v. McWherter</u> , 1993 |
| Massachusetts | <u>McDuffie v. Weld</u> , 1993                            |
| Washington    | <u>Seattle v. Washington</u> , 1978                       |
| Connecticut   | <u>Horton v. Meskill</u> , 1977                           |

#### II. Plaintiffs won at the state supreme court level, but further compliance litigation was also filed: (4)

|               |                                                                                                  |
|---------------|--------------------------------------------------------------------------------------------------|
| Wyoming       | <u>Washakie v. Hershler</u> , 1980                                                               |
| California    | <u>Serrano v. Priest</u> , 1971, 1977; <u>Rodriguez v. Los Angeles</u>                           |
| West Virginia | <u>Pauley v. Kelly</u> , 1979; 1988                                                              |
| New Jersey    | <u>Robinson v. Cahill</u> , 1973; <u>Abbott v. Burke</u> , 1985<br><u>Abbott v. Burke</u> , 1990 |

#### III. Plaintiffs lost at supreme court level and there have been no further complaints filed or further complaint lost also: (8)

|                |                                                                                    |
|----------------|------------------------------------------------------------------------------------|
| Michigan       | <u>Milliken v. Green</u> , 1973                                                    |
| Georgia        | <u>McDaniels v. Thomas</u> , 1981                                                  |
| Colorado       | <u>Luian v. State Board of Education</u> , 1982                                    |
| Maryland       | <u>Hornbeck v. Somerset County</u> , 1983                                          |
| North Carolina | <u>Britt v. State Board</u> , 1987                                                 |
| Wisconsin      | <u>Kukor v. Grover</u> , 1989                                                      |
| Oregon         | <u>Olsen v. Oregon</u> , 1979;<br><u>Coalition for Ed. Equity v. Oregon</u> , 1991 |
| Minnesota      | <u>Skeen v. Minnesota</u> , 1993                                                   |

(8)

V. Litigation is present and or a lower court ruling has been issued, but no supreme court decision has been rendered: (13)

VI. No litigation is present or case is dormant: (9)

28

Category A: States in which the State Supreme Court has declared that education is a fundamental constitutional right (12)

|               |                                                           |
|---------------|-----------------------------------------------------------|
| Arizona       | <u>Shofstall v. Hollins</u> , 1973                        |
| Wisconsin     | <u>Busse v. Smith</u> , 1976                              |
| California    | <u>Serrano v. Priest</u> , 1977                           |
| Connecticut   | <u>Horton v. Meskill</u> , 1977                           |
| Wyoming       | <u>Washakie v. Hershler</u> , 1980                        |
| West Virginia | <u>Pauley v. Bailey</u> , 1984                            |
| Montana       | <u>Helena v. State</u> , 1989                             |
| Kentucky      | <u>Rose v. the Council</u> , 1989                         |
| Tennessee*    | <u>Tennessee Small School Systems v. McWherter</u> , 1993 |
| Washington    | <u>Seattle v. Washington</u> , 1978                       |
| Massachusetts | <u>McDuffie v. Weld</u> , 1993                            |
| Minnesota     | <u>Skeen v. Minnesota</u> , 1993                          |

Category B: States in which the State Supreme Court has declared that education is NOT a fundamental constitutional right (10)

|              |                                     |
|--------------|-------------------------------------|
| New Jersey   | <u>Robinson v. Cahill</u> , 1973    |
| Michigan     | <u>Milliken v. Green</u> , 1973     |
| Idaho        | <u>Thompson v. Engelking</u> , 1975 |
| Oregon       | <u>Olsen v. State</u> , 1976        |
| Pennsylvania | <u>Dansen v. Casey</u> , 1979       |
| Ohio         | <u>Board v. Walter</u> , 1979       |
| New York     | <u>Levittown v. Nyquist</u> , 1982  |
| Colorado     | <u>Luian v. Colorado</u> , 1982     |
| Georgia      | <u>McDaniel v. Thomas</u> , 1982    |
| Arkansas*    | <u>Dupree v. Alma</u> , 1983        |

Category C. Lower court decision on education as a fundamental right

1. States in which a circuit or appellate court has declared that education IS a fundamental right (4)

|              |                                                      |
|--------------|------------------------------------------------------|
| Alabama      | <u>Alabama Coalition for Equity v. Hunt</u> , 1993;  |
| Missouri     | <u>Committee v. Missouri</u> , 1993                  |
| Minnesota    | <u>Skeen v. Minnesota</u> , 1992                     |
| North Dakota | <u>Bismark Public Schools v. North Dakota</u> , 1993 |

2. States in which a circuit or appellate court has declared that education is NOT a fundamental right (2)

|               |                                                 |
|---------------|-------------------------------------------------|
| Illinois      | <u>Committee v. Edgar</u> , 1992                |
| New Hampshire | <u>Claremont, New Hampshire v. Gregg</u> , 1991 |

\*States in which the funding system failed to pass the "rational basis" test of the equal protection clause